

Message Text

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TO ALL EAST ASIAN AND PACIFIC DIPLOMATIC POSTS
XMT AMEMBASSY SUVA

C O N F I D E N T I A L STATE 053458

STADIS//////////

E.O. 11652:GDS

TAGS: EAID, MILI, MASS

SUBJECT:WEEKLY STATUS REPORT -- THAILAND, INDONESIA,
MALAYSIA, BURMA AND SINGAPORE AFFAIRS

INDONESIA

F-5S (CONF)

THE DEPUTY SECRETARY APPROVED AND FORWARDED (ON BEHALF
OF THE SECRETARY) TO THE PRESIDENT ON FEB 27 THE JUSTIFI-
CATION AND PROPOSED PRESIDENTIAL DETERMINATION (PD) THAT
IT IS IMPORTANT TO U.S. NATIONAL SECURITY THAT FMS
FINANCING BE USED FOR THE INDONESIAN PURCHASE OF F-5S.
WHEN APPROVED, THE JUSTIFICATION AND PD WILL BE REPORTED
TO CONGRESS AND THE PD PUBLISHED IN THE FEDERAL REGISTER.
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INDONESIA'S RICE IMPORT NEEDS REMAIN HIGH (LOU)

EMBASSY JAKARTA HAS REPORTED AN INDONESIAN REQUEST FOR
500,000 TONS OF RICE UNDER PL 480, TITLE I, IN THE INDO-
NESIAN FISCAL YEAR 1978-79, BEGINNING APRIL 1. ESTIMATES
BY THE GOVERNMENT AND OUR AGRICULTURAL ATTACHE ARE THAT

TOTAL RICE IMPORT REQUIREMENTS WILL BE AROUND 2.5 MILLION TONS OR ABOUT THE SAME LEVEL AS THIS YEAR (IMPORTS

CONTINUE TO ACCOUNT FOR NEARLY 15 PERCENT OF TOTAL CONSUMPTION). INDONESIA WILL THUS REMAIN THE WORLD'S LARGEST IMPORTER OF RICE AND THE MAJOR RECIPIENT OF PL 480 RICE ASSISTANCE. ALL PL 480 RICE SPECIFICALLY ALLOCATED FOR INDONESIA IN US FY 78 HAS ALREADY BEEN AUTHORIZED, BUT THE NEW GOI REQUEST INCLUDES 100,000 TONS FOR SHIPMENT IN AUGUST. A STRATEGY FOR ENABLING THE USG TO MEET THE FY 78 REQUEST, ON WHICH THERE IS SURE TO BE RESISTANCE BY SOME AGENCIES, IS UNDER CONSIDERATION (POSSIBLY WITHIN THE CONTEXT OF THE VP VISIT).

THE OIL BONANZA IS OFFICIALLY OVER (CONF)

THERE WAS ONCE A GLEAM IN THE EYE OF IBNU SUTOWO THAT INDONESIAN OIL PRODUCTION COULD CONTINUE RISING SHARPLY TO 2 MILLION BARRELS PER DAY AND EVEN HIGHER. SOBER EVIDENCE NOW CONFIRMS THAT THIS LEVEL MAY NEVER BE REACHED. OIL EARNINGS SKYROCKETED FROM LESS THAN 1 BILLION DOLS IN 1972 TO ABOUT 7 BILLION DOLS IN THE CURRENT YEAR. BUT, EMBASSY JAKARTA'S LATEST PETROLEUM OUTLOOK FOR 1978 ANALYZES WHAT 1977 MONTHLY FIGURES HAD BEGAN TO SHOW -- A PRODUCTION PEAK OF 1.8 MILLION BARRELS PER DAY (MBD) IN THE SPRING OF 1977 AND THEN CONFIDENTIAL

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CONTINUING DECLINE. AVERAGE PRODUCTION LAST YEAR WAS 1.68 MBD AND THE EMBASSY AND GOI FORECASTS AROUND A 2 PERCENT FALL IN 1978.

IN THE LONGER TERM, THE EMBASSY SEES AN IMPROVED CLIMATE FOR THE OIL COMPANIES, AND INCREASED EXPLORATION ACTIVITIES. BUT THESE EFFORTS CAN PROBABLY SUCCEED ONLY IN MAINTAINING PRODUCTION AT AROUND CURRENT LEVELS THROUGH THE MID-1980'S. PRODUCTION IS DECLINING IN THE MAJOR MINAS FIELD OF CALTEX (50 PERCENT OF INDONESIA'S TOTAL PRODUCTION) AND NEW FINDS WILL BE NEEDED REGULARLY TO COMPENSATE. ONLY DISCOVERY OF A VERY LARGE NEW POOL, NOT NOW IN SIGHT, WOULD CHANGE THIS FORECAST.

SINGAPORE

INVESTMENT TREATY ISSUE (CONF)

A RECOMMENDATION WAS FORWARDED TO DICK COOPER ON FEBRUARY 23, URGING THAT THE DRAFT INVESTMENT TREATY PREPARED BY STATE/L BE USED AS THE BASIS FOR EARLY NEGOTIATIONS WITH THE GOS. THE MEMORANDUM WAS ALSO

APPROVED BY EB ASST SEC KATZ. WE ARE PRESSING FOR AN
EARLY DECISION TO FULFILL THE PROMISE OF AN EARLY TEXT
MADE BY THE PRESIDENT TO PM LEE IN SEPTEMBER.

THAILAND

THAI REQUEST FOR TERMINATION OF ERDA CONTRACT (LOU)

EA AND OES WILL SUPPORT THE THAI REQUEST FOR TERMINATING
ITS URANIUM ENRICHMENT CONTRACT WITH ERDA AND FOR THE
REFUND OF ADVANCE PAYMENTS OF 2,227,500 DOLS. A LETTER
TO DOE SECRETARY SCHLESINGER IS IN PREPARATION.

BURMA
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DEPUTY SECRETARY REQUESTS MODEST AID PROGRAM FOR BURMA
(CONF)

ON FEBRUARY 28, THE DEPUTY SECRETARY SIGNED OUR MEMO
AND "APPROVED IN PRINCIPLE THAT WE EXTEND A MODEST
AMOUNT OF ECONOMIC ASSISTANCE TO BURMA IF FEASIBLE".
HE ALSO SENT A LETTER TO AID ADMIN GILLIGAN INDICATING
THAT THE SECRETARY AND HE BOTH BELIEVE "IT WOULD BE
USEFUL TO EXPLORE THE PROVISION OF A MODEST AMOUNT OF
ASSISTANCE TO BURMA SO AS TO PROMOTE U.S. INTERESTS BY
INCREASING OUR PRESENCE IN A SOUTHEAST ASIAN COUNTRY
WITH WHICH WE DO NOT HAVE MANY TIES AT THE PRESENT TIME".
THE DEPUTY SECRETARY ADDED "WE WOULD APPRECIATE IT IF AID
WOULD EXAMINE THE POSSIBILITIES FOR PROVIDING ASSISTANCE
TO BURMA IN FUTURE YEARS IN A FORM AND AT A LEVEL COM-
PATIBLE WITH OUR BROAD POLICY INTERESTS AND ECONOMIC
DEVELOPMENT OBJECTIVES. WE ARE NOT SUGGESTING A REQUEST
FOR A SUPPLEMENTAL AID APPROPRIATION". AS YOU KNOW,
ERLAND WILL VISIT RANGOON ON HIS CURRENT TRIP TO EXPLORE
AID POSSIBILITIES WITHIN THESE GUIDELINES AND AID WILL
SEND TWO OFFICERS AT A LATER DATE. VANCE

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